https://www.financial-planning.com/news/why-and-how-wealth-management-firms-should-own-their-data

Why and how wealth firms should own their data

By Rob Burgess
March 31, 2025, 2:58 p.m. EDT

Firms that don't own their data are at the mercy of the many vendors that house it.

Not only does this hinder a firm's ability to change its tech stacks, but it also hinders the identification of valuable insights and trends across organizations.

Added to that, with the advent of artificial intelligence-enabled tools, firms are finding these applications are only as good as the data they are trained on.

Experts say that while data ownership might at first be time-consuming and costly, the long-term benefits can make it worth it.

An essential investment

During a recent webinar by Morningstar Wealth and The Oasis Group, John O'Connell, CEO and founder of The Oasis Group, said many firms don't own their own data because the prospect of obtaining and housing it is daunting. So, it often remains siloed and locked up in a CRM, performance reporting system, custodian or elsewhere.

"Not having that data in one place makes it difficult for firms ... to find trends that can really help them grow their business," he said.

During the webinar, Hazal Sabah, ByAllAccounts senior product manager at Morningstar Wealth, said many firms have realized the value of data ownership and have begun setting up data lakes (which can hold structured and unstructured data), data warehouses (mostly used for structured data) and data lake houses (which combine features of both).

"This is what allows you to plug and play with these newer solutions out there in the market," she said. "Think of ownership as having greater control and efficiency with your data, with the ultimate end goal being an investment in your ability to generate deeper insights and more personalized services."

Ryan J. Marshall, partner at Ela Financial Group in Wyckoff, New Jersey, told Financial Planning data ownership is a critical but often overlooked aspect of the wealth management industry.

"Since our inception, it has been a top priority," he said. "We work closely with our IT vendor to ensure our data is securely maintained and protected — an investment we view as essential, much like an insurance policy."

With the constant evolution of the industry — including frequent mergers and acquisitions among broker-dealers — Marshall said his firm recognizes the importance of flexibility.

"While these changes have been beneficial to us, maintaining control over our data ensures that we can make transitions when necessary," he said. "We are not bound by external relationships and can make unbiased decisions that serve the best interests of both our firm and our clients."

Associated costs

Don Epperson, co-founder and CEO of wealth management platform Annise, said historically, it's been expensive for firms to securely host their data in a platform they have to maintain.

Typically, an investor would use a non-hosted version of Quicken or some other expense management platform to manage their cash assets. They would use an RIA that would host their brokerage assets, and to a lesser degree, their private assets — including limited partner interests in venture funds — in an RIA-focused platform like Black Diamond or Addepar. And, most likely to manage versus report out on private assets, the investor managed associated capital calls in spreadsheets.

"It's been a siloed, disorganized mess," he said.

By contrast, Epperson said that today, data can be securely hosted and maintained at minimal cost to the investor.

"The overall paradigm is shifting from an investor allowing their data to be housed and hosted at different locations to investors hosting all their data themselves, and inviting their RIAs and third parties to data hosted in their platform," he said.

Pete Bosse, CEO of MFPA Financial Planning in San Antonio, Texas, said his firm owns its own data for intellectual property reasons, as he has created training materials for do-it-yourself financial planning. He said they use Apple iCloud for primary storage and Google Drive for backup.

Robin Patra is a former data and artificial intelligence director at BlackRock who is now director of analytics and AI at construction and engineering company ARCO. He said his firm uses Viewpoint and SAP for financial management, Procore for construction project management, Salesforce for sales and marketing, in addition to several other applications.

"While these tools digitize business processes effectively, they create data silos — each vendor holds the data in their own cloud environments," he said. "This limits our ability to get a unified, contextual view of our business. We realized that to truly run the business, we needed to own the data."

Patra said owning this data gives them the ability to monitor the health of the business in real time, identify growth opportunities and diversification areas, reduce process inefficiencies and improve resource utilization and enable holistic, data-driven decision-making for leadership.

"Data ownership isn't just a technical decision — it's a business imperative," he said.

Patra said his firm structured its data ownership strategy around a "hot-cold-archive model."

The "hot data" is business-critical data from the past 18 months that is kept in high-performance environments for real-time access. The "cold data" is older than 18 months and is stored in low-cost storage and accessed as needed. Data required for legal or compliance reasons is archived in long-term storage, and everything else is purged based on retention policies.

Initially, when the data was stored as hot — real-time accessible — the firm's infrastructure cost was around $25,000 per month, said Parta. With the hot-cold-archive optimization system, he said they had brought that figure down to around $10,000 per month — "a significant improvement without compromising access or insight."

"For us, data is an enterprise asset," he said. "It drives decision-making, powers innovation with AI and improves both customer and employee satisfaction. One of our key initiatives now is using organizational data to train AI models that reduce hallucinations and increase contextual relevance. Data ownership is what makes this possible."